

Mr. Ernesto Sgroi, President of the Governing Board  
Mr. Erroll Davis, Member of the Governing Board and Chair of the Audit Committee  
Members of the Governing Board of PREPA

Gentlemen and Gentlewomen:

The Commonwealth of Puerto Rico has taken actions that have resulted in the material breach and repudiation by the Board of my contract for employment as Chief Executive Officer of PREPA.

It is unfortunate that this has occurred despite the efforts of the Governing Board to abide by the provisions of Puerto Rico law that call for both independence in the governance of the utility and payment of market compensation for my position.


I do not fault the governing board for its efforts to abide by the terms of the contract and but I cannot say the same for the Puerto Rico legislature or the Government.

Erroll Davis did a very thorough and professional job negotiating my employment agreement on behalf of and under the supervision of the Governing Board. We reached an agreement on compensation that was below market and the absolute lowest I would accept. Now, as a result of the repudiation of my contract, it is impossible for me to earn that minimum agreed-upon amount.

Given these circumstances, and despite the Board's efforts to maintain and abide by the terms of our contract, the Company and the Governing Board, perhaps as a result of actions of the Legislature or Government of Puerto Rico, are now in material breach of my employment "contract" without cause. In the event the Board disputes any of the foregoing, I would be willing to continue under the contract, provided the Board provides me by Wednesday, June 20, 2018, at 4:00 pm AST written reasonably acceptable assurance that the Board can and will honor all the terms and conditions of the contract as negotiated. In the absence of such assurance, I will consider the Board has having confirmed the material breach and as having terminated my employment as negotiated in the contract. The result of such termination entitles me to payment of all remaining compensation I would have earned until the end of the employment year, and payment of the bonus at target whether or not earned.

If specifically requested in writing and solely on the condition that I not be deemed to have waived my rights to the compensation for termination of employment, as set forth above, which must also be set forth in such writing, I would be willing to continue to serve as Chief Executive Officer of PREPA until a replacement is named and, if desired, has time for a proper turnover, but in no case later than June 30, 2018. Please note that I will be absent from the Island for scheduled, agreed-upon business travel from June 22 to 27.

If not requested to serve until June 30, I will clear out my office and end my employment by Noon on Friday, June 22, 2018.



Walter M. Higgins  
June 18, 2018